

Message Text

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ACTION EUR-12

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E.O.11652:N/A
TAGS: ELAB, CA
SUBJECT: UNEMPLOYMENT BECOMING POTENTIAL POLITICAL
LIABILITY

REF: OTTAWA 1552

1. BEGIN SUMMARY. RECORD HIGH UNEMPLOYMENT IS DRAWING
CRITICISM OF OPPOSITION PARTIES AND ORGANIZED LABOR.
FINMIN MACDONALD PROMISED "SUBSTANTIAL ATTENTION" TO
UNEMPLOYMENT IN FORTHCOMING BUDGET. NO SOCIAL UNREST
IS NOW ANTICIPATED. END SUMMARY.

2. DIRE PREDICTIONS THAT UNEMPLOYMENT RATE WILL CLIMB TO
7.5-8.0 RANGE IN 1977 FROM 7.1 AVERAGE LAST YEAR
HAVE MATERIALIZED. SEASONALLY ADJUSTED RATE ROSE FROM
7.5 IN JANUARY TO 7.9 IN FEBRUARY, REFLECTING A 20-YEAR
HIGH. UNADJUSTED UNEMPLOYMENT TOTAL OF 932,000
EXCEEDED FEBRUARY 1976 LEVEL BY 100,000. OPPOSITION
PARTIES LOST NO TIME IN ATTACKING GOVERNMENT. NEW
DEMOCRATIC PARTY WHICH HAS BEEN MOST VOCAL IN ITS
CRITICISM OF GOC'S EMPLOYMENT POLICIES RENEWED ITS CALL
FOR AN EMERGENCY DEBATE (ITS PREVIOUS REQUEST WAS
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REJECTED BY HOUSE SPEAKER). NDP LEADER BROADBENT
CHARACTERIZED TRUDEAU CABINET AS BEING "IN GRIPS OF
DEPRESSION PSYCHOLOGY IN CALLOUS DISREGARD OF NEARLY
A MILLION JOBLESS". HE CALLED FOR TAX CUTS FOR LOW
AND MIDDLE INCOME GROUPS, INCREASED FUNDING FOR LOW
COST HOUSING AND RAPID TRANSIT SYSTEMS. PROGRESSIVE
CONSERVATIVE LEADER CLARK BLAMED FINMIN MACDONALD'S

ECONOMIC POLICY FOR "HIGHEST LEVELS OF UNEMPLOYMENT IN CANADIAN HISTORY" ADDING THAT CORRECTIVE MEASURES SHOULD HAVE BEEN TAKEN SIX MONTHS AGO. IN REBUTTAL, MACDONALD SAID UNEMPLOYMENT WILL RECEIVE "SUBSTANTIAL ATTENTION" IN MARCH 31 BUDGET.

3. CANADIAN LABOUR CONGRESS (CLC) URGED GOC TO PROVIDE ONE MONTH MORATORIUM ON PAYROLL TAX DEDUCTIONS FOR ALL THOSE EARNING LESS THAN \$15,000 ANNUALLY. AS FURTHER STIMULANT CLC ASKED \$50 PER MONTH INCREASE IN OLD AGE AND DISABILITY PENSIONS AND IMMEDIATE REMOVAL OF WAGE AND PRICE CONTROLS. IN QUEBEC, PREMIER LEVESQUE SAID GOC "WOULD PROBABLY DO BETTER TO STIMULATE ECONOMY THAN TO THROW OIL ON FIRE IN PREPARATION FOR BYELECTIONS THAT HAVE NOT YET BEEN CALLED".

4. COMMENT: SENIOR MANPOWER OFFICIALS HAVE TOLD US THAT THERE WAS "PERCEPTION LAG" WITHIN THE CABINET AS TO THE SERIOUSNESS OF UNEMPLOYMENT UNTIL THE END OF LAST YEAR WHEN SHORT-TERM EMPLOYMENT CREATION ALLOCATIONS WERE SUDDENLY DOUBLED TO \$220 MILLION. HOWEVER, THESE MEASURES ALONE ARE INSUFFICIENT TO DEAL WITH UNEMPLOYMENT PROBLEM. IN CONTRAST TO GOC'S EXPECTATION THAT 250,000 JOBS WOULD BE CREATED LAST YEAR THE TOTAL AMOUNTED TO ONLY 112,000. JOB VACANCIES POSTED WITH MANPOWER CENTERS ARE CURRENTLY UNDER 38,000, ALTHOUGH MUCH OF THE HIRING IS DONE THROUGH OTHER CHANNELS AS IN THE U.S. SOME OBSERVERS COMPARE CURRENT SITUATION TO 1972 WHEN TRUDEAU GOVERNMENT LOST ABSOLUTE MAJORITY LARGELY BECAUSE OF HIGH UNEMPLOYMENT.

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5. DESPITE THE POLITICALLY DANGEROUS HIGH UNEMPLOYMENT RATE, IT IS UNLIKELY THAT CONCERTED SOCIAL UPHEAVAL OR UNREST WILL OCCUR IN THE NEAR FUTURE. THE VERY GENEROUS UNEMPLOYMENT INSURANCE BENEFITS AND THE EQUALLY HIGH SOCIAL ASSISTANCE ALLOWANCES (10 OF UNEMPLOYMENT INSURANCE EXHAUSTEES GO ON WELFARE) TEND TO SOFTEN THE HARDSHIPS AND FRUSTRATIONS. FURTHERMORE, THOSE WHO COULD POSSIBLY MOUNT EFFECTIVE SOCIAL UNREST, NAMELY THE OLDER WORKERS (INCLUDING MAJORITY OF ORGANIZED LABOR), HAVE AN UNEMPLOYMENT RATE OF ONLY 4.7 (CONTRASTED TO 14.4 FOR 15-24 YEAR OLDS) AND USE ONLY HALF OF THEIR AVERAGE 34 WEEK UI ENTITLEMENTS BEFORE SECURING REEMPLOYMENT. SITUATION COULD, OF COURSE, CHANGE IF EXTREMELY HIGH JOBLESS RATE WERE TO CONTINUE OVER LONG TIME PERIOD WITHOUT MODERATION IN SIGHT.
ENDERS

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